



FTA 27th Annual Engineers' Meeting 2011 ■ Washington, DC



Managing Contingency

Vince Gallagher, PE
Hill International, Inc.
Program Manager
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FTA

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Project Milestones for RCMP

OP 40 Provides Guidance for Specific Project Milestones:

- Entry into Preliminary Engineering
- Entry into Final Design
- Ready for FFGA
- 20 % Constructed
- 50 % Constructed
- 75 % Constructed
- 90 % Constructed
- Revenue Service

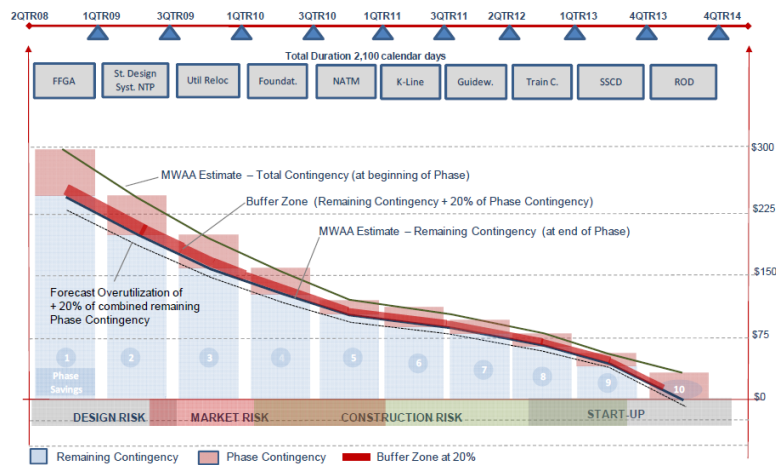
Review of Three Projects for Contingency

Projects	Project Budget	Contingency at FFGA	Revenue Service (FFGA ROD)	Schedule FD to ROD (months)
WCCR (UTA)	\$611.7M	\$53M	9/30/2009	39
Mid-Jordan LRT (UTA)	\$535.4M	\$72M	12/1/2011	43
Dulles (MWAA)	\$3,142.5M	\$297M	12/1/2014	79

- UTA Managed Cost Contingency with Management Directed Reserve (MDR) and Unallocated Contingency.
- MWAA Managed Cost Contingency at Summary SCC Level Only

Sample Cost Contingency Plan

Figure 3-2. Contingency Utilization by "Phase" (Draw-Down View)



Reference – Dulles Risk Management Plan dated October 2008.

Lessons Learned with Project Milestones

- Better Correlate Risk Events to Project Milestone Dates
- Better Define Milestone Deliverables - i.e. Station Design Complete (IFC drawings and Cost Estimate)
- Establish Milestone Dates for Reviews to be Spaced Every 6-9 Months

Managing Cost Contingency per RCMP

- OP40 Requires Forward and Backward Paths to Calculate Values at Hold Points
- Contingency Drawdown Requires Grantee Develop Project Management Procedures

Allocated vs. Unallocated Contingency

- Contingency is Classified as:
 - Allocated Contingency – Assigned to WBS element
 - Unallocated Contingency – for use as needed
 - Contingency Distribution is Recorded at FFGA
- Contingency Management Experience:
 - UTA: Redistributed Allocated Contingencies as Management Directed Reserves (MDR)
 - Dulles: Utilized Contingencies as One Big Bucket

Approval for Contingency Use

- UTA (Mid-Jordan)
 - Project Director (same as PM above) Recommends Contingency Use
 - If Request is <\$25K, Project Manager (same as PD above) Approves.
 - If Request is >\$25K, Must be Presented to Core Management Team (CMT) or Configuration Control Committee (CCC) and Signed by Deputy Director Capital.
 - This Initial Procedure was **Not Accepted** since it did not Specifically Respond to the Phased Release of Contingency.
- Dulles (MWAA):
 - Project Manager Approves Initial Request for Change.
 - If Request is <80% of Phase Contingency, Project Director Approves.
 - If Request results in >80% of Phase Contingency Usage, the MWAA VP of Engineering Must Countersign the Approval.

Lessons Learned - Cost Contingency Levels

- Grantee Should Use Allocated Contingency Before Unallocated Contingency
- Grantee PM Procedures to Address Contingency Drawdowns – Higher Authority Level
- Establish Adequate Unallocated Contingency Level from FFGA – 50% Constructed – Revenue Service, in addition to Overall Cost Contingency Levels
- Perform Risk Refresh Reviews a Minimum of Once a Year Unless Regional Office Directs Otherwise

QUESTIONS????